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FIFTEENTH ANNUAL REPORT

OF

**GASPÉ COPPER MINES,
LIMITED**

(No Personal Liability)



Year Ended December 31, 1965

GASPÉ COPPER MINES, LIMITED

(No Personal Liability)

Incorporated under the laws of Quebec

Authorized: 3,000,000 shares of the par value of \$1.00 each

Issued: 2,650,000 shares

DIRECTORS

JOHN R. BRADFIELD	-	-	-	-	-	-	-	-	-	Toronto
A. O. DUFRESNE	-	-	-	-	-	-	-	-	-	Quebec
HON. GEORGE B. FOSTER	-	-	-	-	-	-	-	-	-	Montreal
L. G. LUMBERS	-	-	-	-	-	-	-	-	-	Toronto
R. V. PORRITT	-	-	-	-	-	-	-	-	-	Toronto
A. POWIS	-	-	-	-	-	-	-	-	-	Toronto
HON. JEAN RAYMOND	-	-	-	-	-	-	-	-	-	Montreal
W. S. ROW	-	-	-	-	-	-	-	-	-	Toronto
J. D. SIMPSON	-	-	-	-	-	-	-	-	-	Vancouver
JULES R. TIMMINS	-	-	-	-	-	-	-	-	-	Montreal
LEO H. TIMMINS	-	-	-	-	-	-	-	-	-	Montreal
N. C. URQUHART	-	-	-	-	-	-	-	-	-	Toronto

OFFICERS

JOHN R. BRADFIELD	-	-	-	-	-	-	-	-	-	Chairman of Meetings
R. V. PORRITT	-	-	-	-	-	-	-	-	-	President
N. C. URQUHART	-	-	-	-	-	-	-	-	-	Vice-President
W. S. ROW	-	-	-	-	-	-	-	-	-	Vice-President
C. H. WINDELER	-	-	-	-	-	-	-	-	-	Secretary
E. K. CORK	-	-	-	-	-	-	-	-	-	Treasurer

GENERAL MANAGER

W. G. BRISSENDEN

TRANSFER AGENT AND REGISTRAR

EASTERN & CHARTERED TRUST COMPANY
Montreal

BANKERS

THE BANK OF NOVA SCOTIA

GASPÉ COPPER MINES, LIMITED

(No Personal Liability)

DIRECTORS' REPORT TO THE SHAREHOLDERS

EARNINGS PER SHARE

	1965	1964
Operating Profit	\$ 4.70	\$ 4.49
Investment Income27	.16
	<u>\$ 4.97</u>	<u>\$ 4.65</u>
Depreciation	\$ 1.57	\$ 1.54
Income and Production Taxes	1.37	1.30
	<u>\$ 2.94</u>	<u>\$ 2.84</u>
	<u>\$ 2.03</u>	<u>\$ 1.81</u>

Four quarterly dividends of 30¢ per share were paid during 1965, the same as in the previous year.

Operating profit improved due to higher copper prices and revenue from sale of molybdenite concentrate. The increase in investment income was almost offset by increased provision for depreciation and taxes.

As noted in the Manager's Report, breakdowns in the conveyor system resulted in the tonnage of ore milled being 4½% less than in 1964. Despite a higher volume of custom concentrates, smelter production declined slightly.

Development of the Copper Mountain Mine and expansion of the concentrator capacity to 11,000 tons per day, are proceeding on schedule. The total cost is now estimated at \$14,600,000.

As previously reported, both the United Steelworkers Union and the Company are appealing various aspects of the judgment which awarded substantial damages against the Union for the illegal strike in 1957. These appeals are expected to be heard by the Quebec Court of Appeal later this year.

Your directors wish to record their appreciation for the excellent performance of the Managers, the staff and employees throughout the year. Mr. H. S. Bérubé, Manager since 1962, resigned on April 30, 1965, to accept the appointment as Manager at Noranda Mines Limited and was replaced by Mr. J. A. Hall, formerly Assistant Manager of your Company's operations.

On behalf of the Board,

R. V. PORRITT,
President.

Toronto, Ontario,
February 9, 1966.

GASPÉ COPPER MINES, LIMITED

(No Personal Liability)

(Incorporated under the laws of Quebec)

BALANCE SHEET — DECEMBER 31, 1965

(with comparative figures at December 31, 1964)

ASSETS

	1965	1964
CURRENT ASSETS:		
Cash, including short-term deposits	\$ 4,556,502	\$ 5,232,678
Marketable investments, at cost (quoted market value \$9,320,665)	9,278,963	6,339,430
Accounts, advances and metal settlements receivable	3,803,413	3,710,974
Inventories of metals — at estimated realizable value	5,067,034	4,679,319
	<u>22,705,912</u>	<u>19,962,401</u>
TOWN OF MURDOCHVILLE DEBENTURES, at cost	416,900	473,700
DEFERRED AND PREPAID ITEMS:		
Stores, at cost	1,280,640	1,474,745
Agreements for sale of townsite houses	1,164,638	1,266,623
Miscellaneous	101,954	102,448
Copper Mountain Mine development	818,422	341,710
	<u>3,365,654</u>	<u>3,185,526</u>
FIXED ASSETS:		
Land, buildings and equipment, at cost (including \$2,139,055 re Copper Mountain Mine)	44,378,967	41,631,325
Accumulated depreciation	37,326,186	33,228,869
	<u>7,052,781</u>	<u>8,402,456</u>
Mining properties, at nominal value	1	1
	<u>7,052,782</u>	<u>8,402,457</u>
	<u>\$33,541,248</u>	<u>\$32,024,084</u>

LIABILITIES

CURRENT LIABILITIES:		
Accounts payable	\$ 1,641,170	\$ 1,419,745
Taxes payable	1,651,000	2,905,000
	<u>3,292,170</u>	<u>4,324,745</u>
TAXES ON INCOME DEFERRED TO FUTURE YEARS	894,000	550,000
CAPITAL STOCK AND SURPLUS:		
Capital stock —		
Authorized: 3,000,000 shares of \$1 each		
Issued: 2,650,000 shares	2,650,000	
Less discount	1,939,495	710,505
	<u>710,505</u>	<u>710,505</u>
Earned surplus	28,644,573	26,438,834
	<u>29,355,078</u>	<u>27,149,339</u>

On behalf of the Board:

JOHN R. BRADFELD, Director.

R. V. PORRITT, Director.

\$33,541,248

\$32,024,084

GASPÉ COPPER MINES, LIMITED

(No Personal Liability)

STATEMENT OF OPERATIONS

For the Year Ended December 31, 1965
(with comparative figures for the year 1964)

	1965	1964
REVENUE:		
From metals and custom tolls	24,425,965	\$24,062,646
Investment income	711,245	428,541
	<u>\$25,137,210</u>	<u>24,491,187</u>
EXPENSE:		
Cost of metal production	11,110,390	10,999,015
Depreciation	4,161,551	4,073,249
Administration and general expenses (including directors' fees of \$14,400 in 1965)	851,767	921,989
Legal fees	9,436	251,232
	<u>16,133,144</u>	<u>16,245,485</u>
	9,004,066	8,245,702
Provided for income and production taxes	3,618,327	3,446,844
Net profit for the year	<u>\$ 5,385,739</u>	<u>\$ 4,798,858</u>

EARNED SURPLUS

Balance, beginning of year	\$26,438,834	\$24,819,976
Net profit for the year	5,385,739	4,798,858
	<u>31,824,573</u>	<u>29,618,834</u>
Less dividends paid	3,180,000	3,180,000
Balance, end of year	<u>\$28,644,573</u>	<u>\$26,438,834</u>

AUDITORS' REPORT

To the Shareholders of
GASPÉ COPPER MINES, LIMITED:

We have examined the balance sheet of Gaspé Copper Mines, Limited as at December 31, 1965, and the statements of operations and earned surplus for the year ended on that date and have obtained all the information and explanations we have required. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion and according to the best of our information and the explanations given to us and as shown by the books of the company, the accompanying balance sheet and statements of operations and earned surplus are properly drawn up so as to exhibit a true and correct view of the state of the affairs of the company as at December 31, 1965 and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 9, 1966.

CLARKSON, GORDON & CO.,
Chartered Accountants.

GASPÉ COPPER MINES, LIMITED

(No Personal Liability)

MANAGER'S REPORT

The President and Directors:

Dear Sirs:

I submit herewith my report covering operations for the year ending December 31, 1965.

MINE:

Underground development consisted of 6,500 feet of drifting, 700 feet of raising, 940 feet of roadways, 2,800 cubic feet of sump excavation and 28,500 feet of exploration drilling. Stope preparation consisted of 6,300 feet of sub-drifting and 72,000 feet of drilling to outline existing orebodies.

Ore mined amounted to 2,664,200 tons, including 76,000 tons of fluxing ores. Underground mining accounted for 1,530,600 tons, an average of 4,193 tons per calendar day. The remainder, 1,133,600 tons, was from the Open Pit where 1,870,000 tons of waste rock were also removed.

ORE RESERVES:

Ore reserves at year end reflected a net decrease of 1,521,000 tons.

	January 1, 1965		January 1, 1966	
	Tons	% Cu	Tons	% Cu
Needle Mountain	35,259,000	1.37	33,738,000	1.42
Copper Mountain	31,038,000	0.71	31,038,000	0.71
TOTAL	66,297,000	1.06	64,776,000	1.08

CONCENTRATOR:

The concentrator operated at an average rate of 7,131 tons per day and treated 2,602,900 tons of ore. The average grade of ore was 1.17% copper and, with mill recovery at 94.37%, concentrate production was 106,342 tons averaging 26.94% copper and containing 28,650 tons of copper.

Production of molybdenum concentrate amounted to 454 tons containing 493,492 pounds of molybdenum.

Shutdowns for repairs of the main haulage conveyor system and power failures accounted for seventeen days lost production.

SMELTER:

The smelter treated 243,000 tons of concentrate and fluxing ore, including 60,400 tons of custom concentrates. Anode production was 42,800 tons containing 42,650 tons of copper, 19,750 ounces of gold and 524,500 ounces of silver.

COPPER MOUNTAIN MINE:

Work at the Copper Mountain Mine consisted of stripping 2,000,000 tons of waste rock. Some 30,700 feet of surface and underground diamond drilling was done. Open pit equipment purchased during the year included one 8 cubic yard shovel, four 85 ton capacity trucks, one crawler tractor and one electric rotary drill.

Design work on the concentrator expansion is under way.

EMPLOYEE HOUSING:

Residential construction consisted of 14 dwellings in two apartment units, and two detached houses.

PERSONNEL:

An adequate work force was maintained during the year. The average number of permanent employees on the payroll for the year was 833, as compared to 855 in 1964.

The United Steelworkers of America were certified as the bargaining agent for employees and negotiations for a collective bargaining agreement are underway.

The plant safety record compared favorably with 1964, for which year the employees were awarded the Canada and Regional "John T. Ryan" Safety Trophies for the second successive time.

ACKNOWLEDGMENT:

I wish to express my appreciation of the loyal and efficient services rendered by M. E. Taschereau, Assistant Manager; H. F. Hanrieder, Chief Accountant; J. White, Mine Superintendent; R. L. Coleman, Concentrator Superintendent; K. H. Heino and P. Fowler, Smelter Superintendents; J. C. Thornham and H. Tetu, Plant Engineers and by their staffs and the employees.

Respectfully submitted,

J. A. HALL,
Manager.

Murdochville, Quebec,
January 24, 1966.

